



OVERSEAS NEWS

Indian opposition forms alliance against Gandhi

By David Housego in New Delhi

INDIA'S opposition parties yesterday agreed to join forces in a new coalition movement... The National Front, as the new group is to be called, brings together seven national and regional parties on a loose platform of decentralisation, anti-corruption and old-fashioned socialism...

Vienna security talks adjourned

By Judy Dempsey in Vienna

THE MEETING in Vienna of the Conference on Security and Co-operation in Europe (CSCE) has gone into recess after three months of wide-ranging East-West talks whose achievements diplomats have described as "uneven"...

Burmese students call for anti-government strike

By Our Special Correspondent in Rangoon

IN KEEPING with the strong Buddhist tradition in Burma, students have waited until today - the auspicious eighth day of the eighth month, 1988 - to call a general strike against the military Government in Rangoon...

Win's "Burmese way to socialism" has comprehensively failed, diplomats say. Burma's hand appears to have been forced at a meeting in April in Tokyo, between Mr Takeshita, Japan's Prime Minister, and U Nu, the Minister for Planning and Finance...

Congress seeks allied aid on defence costs

By Lionel Barber in Washington

THE American public's support for the deployment of US forces overseas is eroding, according to a new congressional report which urges Europe and Japan to share more of the defence burden...

Poll victory defended in Mexico

By David Gardner in Mexico City

LEADERS OF Mexico's ruling Institutional Revolutionary Party (PRI) say they will launch a counter-offensive against the opposition this week, to defend the victory claimed by the regime in the much-disputed presidential election last month...

IBM continues to lose ground in Europe

By Hugo Dixon in London

INTERNATIONAL Business Machines, the world's largest computer company, continued to lose market share in Europe last year, IBM accounted for 32.5 per cent of the top 25 revenue-earners in 1987, down from 38.2 per cent the previous year...

French rail chief resigns after second Paris crash

By Mary Helen Spooner in Santiago

THE FRENCH Government yesterday accepted the resignation of the head of the French railways after the second big Paris rail crash in six weeks, and trade unions blamed job cuts for the accident...

Chile secures IMF's first fund facility extension

By Mary Helen Spooner in Santiago

CHILE has secured a one-year extension of its three-year agreement with the International Monetary Fund (IMF). The extension was approved in Washington on Friday and provides for Chile to receive an extra \$75m in credits, to be disbursed on a regular basis, beginning next month...

Test for Belgian Socialist realism

Tim Dickson on three months of the eighth Martens Government

BELGIUM'S three-month-old coalition of the centre and left, the eighth Government in 10 years under Mr Wilfried Martens, faces a crucial political hurdle this week when cabinet negotiations to find BRP50m (€745m) of additional public spending cuts get under way in Brussels...

Argentine prices up 26% in July

Argentine prices up 26% in July

ARGENTINA'S consumer price index rose by 26.5 per cent in July, according to the latest official figures released at the weekend. This is the highest one-month increase since June 1985, when the anti-inflationary Austral Plan was launched...

HIGHVELD STEEL AND VANADIUM CORPORATION LIMITED. INTERIM REPORT FOR THE SIX MONTHS TO JUNE 30 1988 AND DIVIDEND NOTICE. Table with financial data for 1987 and 1988. Includes sections for Consolidated Income Statement, Share Capital, and Declaration of Dividend No. 28.

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OVERSEAS NEWS

Proposal for independent Palestinian state worries Israel

By Andrew Whitley in Jerusalem

A POLICY document allegedly seized from a prominent PLO supporter in East Jerusalem, calling for the declaration of an independent Palestinian state on the lines of the 1947 United Nations partition plan, has created consternation in Israel.

Pressure on Shamir to annex West Bank

Israel's right is capitalising on the Jordanian withdrawal, reports Andrew Whitley

FOUNDLING in the wake of King Hussein's speedy disengagement of Jordan from the occupied West Bank, the Shamir Government is coming under pressure from the right to fill the resulting administrative vacuum by formally annexing the territory to Israel.

admits to being deeply concerned about its diplomatic implications. It estimates that between 30 and 40 foreign states could recognise the self-declared Palestinian entity, creating serious problems for Israel.

West Bank to the PLO were held in Jerusalem yesterday between Mr Richard Murphy, the US special envoy touring the Middle East, and Israeli ministers, including Prime Minister Yitzhak Shamir and Foreign Minister Shimon Peres.

King Hussein offers support for PLO 'government'

By Tony Walker in Amman

KING HUSSEIN of Jordan has supported moves in the Palestine Liberation Organisation to declare a "government-in-exile," saying he would recognise such an institution "without hesitation."



Shamir: faces elections

Intense debate The PLO is now engaged in an intense debate on various options following Jordan's decision to yield direct responsibility for the occupied territories to it as the sole legitimate representative of the Palestinian people.

S Korea to probe 'corrupt' deals

By Maggie Ford in Seoul

SEVERAL foreign companies which did business with South Korea during the regime of former President Chun Doo Hwan are expected to come under scrutiny by parliamentary committees probing "irregularities" allegedly committed by the former Government.

In business to clown around

By Ian Rodger

JAPANESE businessmen are about to be invited to practice being clowns, as a way of becoming more relaxed and friendly.

Japanese graduates in demand

By Ian Rodger in Tokyo

JAPANESE university and college graduates will probably face a sellers' market next spring for the first time in three years, thanks to a booming business climate.

Afghan rebel leaders call for united guerrilla army

By Christina Lamb in Peshawar

A GROUP of Afghan resistance commanders, including the well-known Mr Ahmad Shah Massoud, has accused the fundamentalist party Hezb-i-Islami of blocking their arms supply.

Company Notices

Table with columns for bond numbers and amounts, titled 'European Economic Community (E.E.C.) ECU 70,000,000 11 1/4 % 1983-1993 Bonds'.

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UK NEWS

Dairy shortage in Britain as EC quotas take hold

By Christopher Parkes, Consumer Industries Editor

BRITAIN, once awash with surplus milk, is suffering severe shortages and agitation is growing over the side-effects of European Community production quotas.

Mr Alex McClimpham, chairman of the alliance's supply committee, said: "The real problem is supply. We are concerned that manufacture of the high added-value products of the food industry may be interrupted."

Shortages this month of cheeses such as Cheshire and Wensleydale. Shortages have been exacerbated by the UK milk marketing system, run by the MMB, which pays top prices for liquid milk for fresh consumption.

UK puts the pressure on California tax regime

By Peter Montagnon, World Trade Editor

A DELEGATION of UK businessmen, officials and politicians flew to California yesterday in a renewed effort to persuade the state government to amend its restrictive rules on unitary taxation.

Postal workers to vote on strike action

By Our Labour Staff

POSTAL workers are being balloted on industrial action to resist the imposition by the Post Office of local pay supplements for new recruits to ease acute recruitment difficulties in some areas.

Prison chiefs urge police staffing to allay crisis

By John Gapper, Labour Staff

PRISON governors are pressing the Home Office to implement contingency plans under which prisons would be staffed by police, possibly backed by the Army, unless an industrial dispute at Holloway prison in north London is resolved quickly.

Staff at Manchester's Strangeways prison and Norwich prison have also voted for action. Mr Bowen said it was "highly likely" that the Holloway dispute would become a national one unless it was resolved within days.

How much do you really know about U.S. TREASURIES, GILTS, SWAPS, EUROBONDS, CURRENCY OPTIONS, GOLD AND FOREIGN EXCHANGE?

financial logo and introductory text for the information and training programmes.

Users of Financial i's information and training programmes include: AP Dow Jones, Aegion International, Asian Development Bank, etc.

How to Live, Work and Invest abroad. The complete monthly guide. Includes details on the magazine, subscription information, and a reply form.





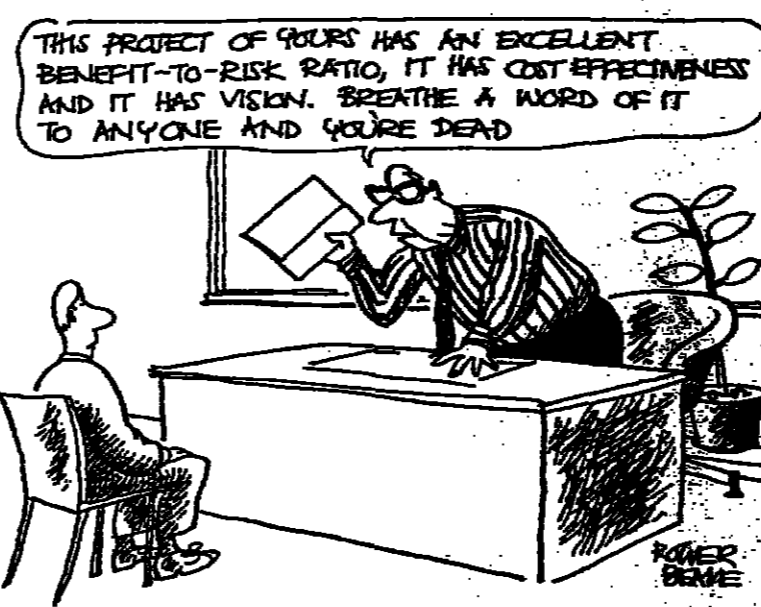


MANAGEMENT

The way in which the managers of Britain's large conglomerates make multi-million pound investment decisions is the subject of three comparative "fly-on-the-wall" studies carried out by the London Business School.

Investment How the group can challenge management's strategic choices

Clive Wolman analyses a series of fly-on-the-wall studies on the extent to which large companies influence the decision-making processes of acquired subsidiaries.



systems for measuring performance and paying salaries. In the shorter term, the board directors also influence the likelihood of a project being pushed through by their appointment of a project team.

Marsh says that his experience in carrying out the study has led him to revise his own views on the role of financial analysis and to change the way in which he teaches finance courses.

Nevertheless he comments on a few finance text-book howlers. For example, one of the three investment projects involved a partial acquisition but although the company applied the standard discounted cash flow analysis to the operating returns from the assets, it failed to do likewise with the debt that it was acquiring.

Managing Strategic Investment Decisions in Large Diversified Companies. Centre for Business Strategy, LBS, Sussex Place, London NW1 4SA. £10.00

Management abstracts

The changing paradigm of consulting. R.O. Metzger in Journal of Management Consulting (Netherlands), Vol 3 No 4 87 (5 pages). Reviews the changing background of consulting assignments created by the increasing sophistication of company personnel (many have MBAs and may even have attended courses in consulting).

industrial consumables which was considering a £43m investment in manufacturing capacity to produce some of its own supplies, with an optional knock-out cost of a further \$100m five years later.

researchers believe that the company, if it had remained independent, might have shied away from the investment because the capital expenditure was so large.

offered less scope for future developments and left them with less operating slack. Nevertheless, the project team was pleased with the final outcome and accepted that the chief executive had been right.

which they cannot hope to understand well enough. These difficulties were highlighted in one company where an analysis of the project, covering 200 documents and 2,000 pages, had to be boiled down to a 60-page document for the group finance officials and chief executive and to a two-page summary for the group board directors.

Is the widely-held rationale for conglomerate acquisitions - that it allows smaller companies to grow, freed from the constraints of artificial capital rationing - something of a myth?

cheaper option. Even though the project had an internal rate of return of 22 per cent, he told the divisional project managers that the ratio of benefits to capital expenditure was too low.

His rejection of the initial proposal led to demoralisation among the project managers. But they returned to the drawing board and considered much more seriously an alternative project that they had previously thought of but given little attention.

experience of the business concerned and of handling the people," he says. On a more general point, Paul Marsh says that he started off with a bias against conglomerates, called euphemistically "large diversified companies", being that a company is subjected to far more effective discipline through a separate stock market listing.

Over the longer term, the board also influenced the organisational context in which the projects were initiated by appointing senior divisional managers, setting the organisational structure and devising

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Golf course and homes in Cornish complex

ARC HOMES has completed an agreement to build 120 prestige homes at the recently opened St Mellion Golf complex in Cornwall.

The estate, which will consist of four and five-bedroomed homes, each set in half-an-acre, will border the recently opened championship 126 yard, par 72, golf course - the first in Britain designed by Jack Nicklaus.

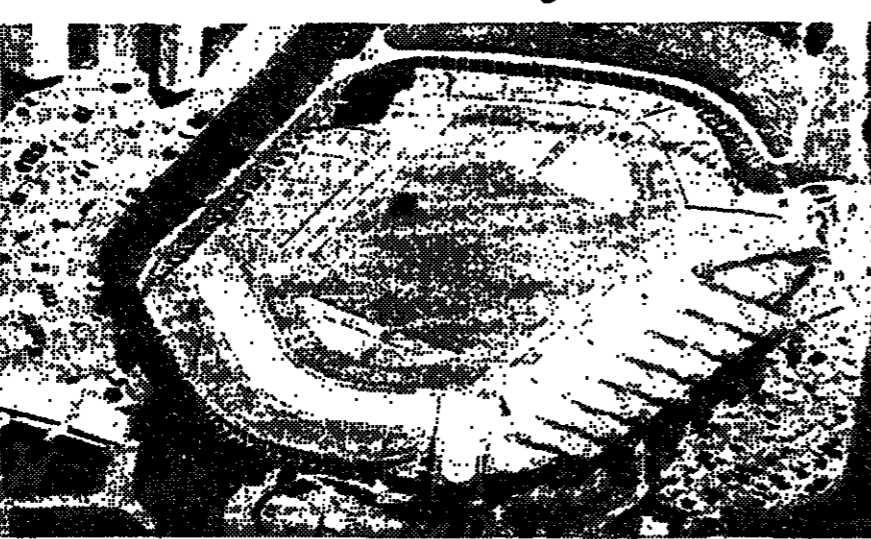
Design of the homes will contain substantial elements of Cornish architectural style and use local materials such as slate and stone. Construction will start in the first week in September, and the show house will be open by Easter 1989.

ARC's partners at St Mellion, Martin and Hermon Bond, expanded their farming operations into leisure in 1978 when they built the St Mellion Golf and Country Club.

Six years ago they approached Jack Nicklaus to design a full championship course which would surround the existing eighteen hole golf-course.

CONSTRUCTION CONTRACTS

£17m Don Valley Stadium



Britain's first national sports stadium since Wembley is to be built in Shadwell by DOUGLAS CONSTRUCTION using "fast track" management contracting construction techniques.

The north-facing grandstand will be the showpiece of the stadium. The roof will consist of a series of bays, each incorporating translucent glass fibre canopies. The support for the canopies is provided by a system of Vierendeel trusses.

This is believed to be the first time an athletics stadium has used such ladder beams in this way. The trusses also mark the spectator exit lines and are incorporated in the design of the hospitality boxes.

St. James's Square redevelopment

M.J.GLEESON GROUP has been awarded a £19m contract by MEPC for a redevelopment scheme at St James's Square, London. It combines refurbishment and detailed reinstatement of two Grade II listed Georgian properties fronting the square, with new offices to the rear, and apartments in Ormond Yard which have been designed to help re-create the square effect.

No.11 are by Robert Adam. The facade of No.11 to be reinstated to the Adam facade of 1774. Internally, Gleeson will renew the floor, wall and ceiling finishes, replace the electrical and mechanical services, and install a staircase.

The six two-bedroom luxury residential apartments in Ormond Yard will be built in an adjacent three-storey mews-style block served by lifts. Of brick construction with concrete floors, and cable TV facilities. Access to parking is via Ormond Yard. Spaces for 22 cars are to be provided in the basement of the offices

DIARY DATES

Trade Fairs and Exhibitions: UK

- August 12-13 Cash and Carry Fashion Fair (01-727 1529) Kensington Town Hall
August 14-15 Gifts Fair (0895 272010) Howe Town Hall
August 16-18 Home Entertainment Dealer Show - HEDS (021-780 4171) NEC, Birmingham
August 18-21 Antiques Fair (0444 459317) Kensington Town Hall
August 21-24 International Jewellery Exhibition Southampton

Overseas Exhibitions

- August 16-18 Fashion Week (01-937 8050) Tel-Aviv
August 22-24 Nordic Fashion Fair (01-498 1951) Helsinki
August 25-28 Office Equipment, Technology and Computer Systems Exhibition (0494 729405) Singapore
August 30-September 1 Traffic Engineering and Road Safety Exhibition - TRAFFEX (01-636 3856) Canberra
September 1-6 International Machinery, Factory Automation & Electrical Technical Exhibition - MECT-ASIA (0494 729406) Taipei
September 4-10 International Autumn Fair (0375 392222) Leipzig

Business and management conferences

- August 9-11 15th International Small Business Congress (Helsinki 358 0 143833) Helsinki
August 30,31 and September 1 Financial Times Conferences: Commercial aviation to the end of the century - Expansion in an era of accelerating change (01-925 2923) Hotel Inter-Continental, London
September 8-9 CBI Increasing your sales to the Ministry of Defence (01-579 7400) Centre Point, London WC1
September 13 CBI Conferences: European standards - Who needs them? (01-579 7400) Centre Point, London WC1
September 14-15 Employment Research Unit annual conference: New forms of ownership - management and employment (0223-42588) Cardiff Business School
September 16 The Industrial Society: Harmonisation - A one-day seminar to examine the principles and practice of harmonising terms and conditions of employment (01-839 4300) 3 Carlton House Terrace, London SW1

FINANCIAL

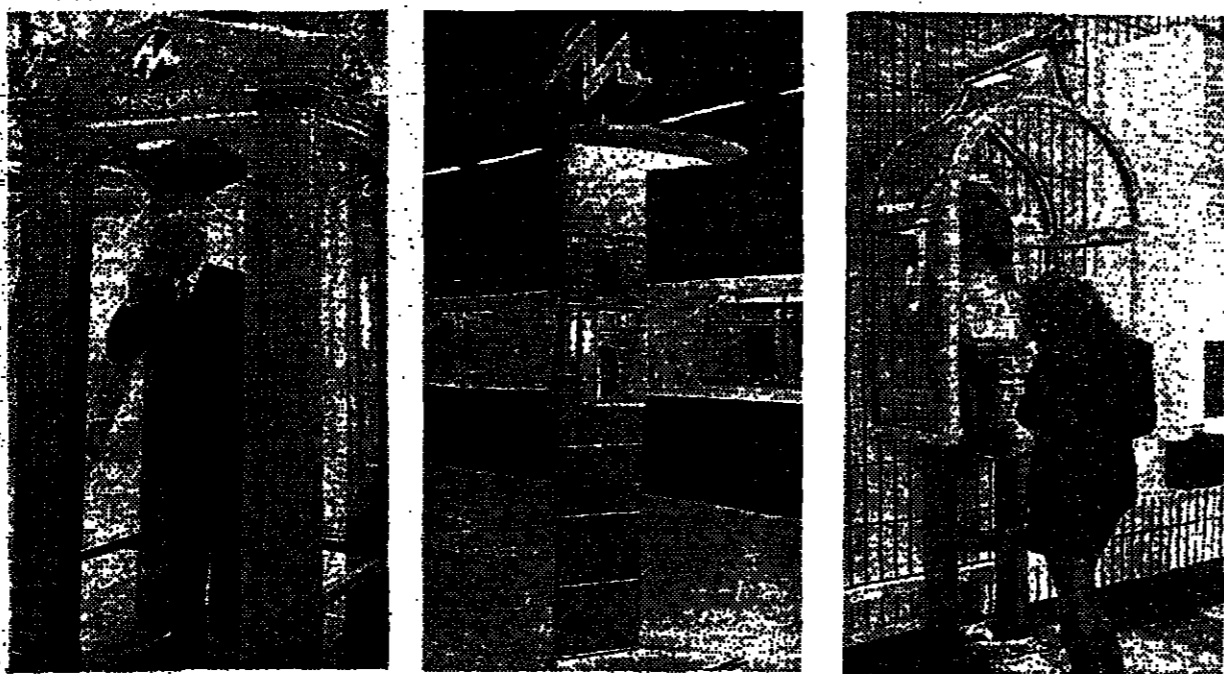
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AGRICULTURAL SUPPLY INDUSTRIES. The Financial Times proposes to publish the survey on: 6th September. For a full editorial synopsis and advertisement details please contact: Mr Mark Jones on 01-246 5000 ext 3545 or write to him at: Brackley House 10 Cannon Street London EC4P 4BY

Architecture

Mercury rings the changes for phone boxes

You may telephone from here. Like giant coffins, all over the kingdom they are being cast away. The death of the old telephone boxes is curiously symptomatic of our highly temporary, ephemeral design values. When the GPO, as it was then, held a competition for the design of a new telephone kiosk in the 1920s, it seemed perfectly natural that it was won by Giles Gilbert Scott.



The Mercury designs: the "classical", the "communications totem" and the "conservatory" architectural object with the permanence and dignity of a small temple. The shallow domed lantern over a distinct allegiance to the forms of Sir John Soane. The proportions of the glazing followed the rules of the golden mean.

Don't Go Away Mad

The late William Saroyan would have celebrated his eightieth birthday this year. As a playwright his reputation soared as unpredictably as his characters' behaviour. After *My Heart's in the Highlands* established his whimsical theatrical voice in 1939, Group Theatre performed his biggest success, happily revived recently by the RSC, the Pulitzer prize-winning *Time of Your Life*. He never recaptured the winning formula.

La Bayadere

The Kirov Ballet's divertissement programmes at the temporary but efficient theatre in Islington have brought moments of extreme theatrical excitement in recent days. Makarova's return to her parent troupe on Saturday night was, of course, heart-catching in its emotion and in its sheer command of the dance. It would be hard to imagine a performance of the Odette/Sigfried duet more saturated in meaning or more grandly a statement about the indelible and ennobling power of Leningrad schooling.

Pink Floyd

For anyone who has thought rock has been getting too far above its station of late, trying to feed the world's hungry and working to free its political prisoners, the return to these shores of Pink Floyd must be reassuring. The re-formed group arrived at Wembley on Friday, trailing clouds of glory from a year-long world tour.

ARTS GUIDE Aug 5-11

- MUSIC London Lysons Opera Orchestra, conducted by John Elliot Gardner, with Frances-Rose Duchsable (piano) and Zoltan Toth (viola). Bizet, Faure, Beethoven. Royal Albert Hall (Mon), (888 2212).

Rare concertos

ALBERT HALL Busoni's monumental Piano Concerto, played on Friday by Peter Donohoe and the BBC Symphony under Mark Elder, will surely come to be remembered as one of the outstandingly valuable revivals of the 1988 Proms season.

BARBICAN HALL

At the Barbican on Saturday evening, the Summer in the City 1988 enterprise gave house-room to a Royal Philharmonic concert of 20th century English music whose unusual feature was a revival of Britten's Violin Concerto (1940).



Antony Sher and Estelle Kohler

Hello and Goodbye

ALMEIDA The RSC has opened a short season at the Almeida in Islington, the venue where the "Not the RSC" festivals have enjoyed past success. Their opening card is a star-studded two-hander by a popular writer for new and possibly more abrasive work we must wait until later this week.

Travelling on Business in Italy? Enjoy reading your complimentary copy of the Financial Times when you're staying... in Milano at the Diana Majestic, Duca di Milano, Hotel Excelsior Gallia, Hilton Hotel, Hotel Michelangelo, Hotel Palace, Hotel Principe di Savoia.

Have your F.T. hand delivered every morning in Switzerland. If you work in the business centre of BAAR, BASEL, BERNE, GENEVA, LAUSANNE, LUGANO, LUZERN, ST GALLEN, ZUG, ZURICH or WINTERTHUR—gain the edge over your competitors.

ARTS GUIDE Aug 5-11. MUSIC London Lysons Opera Orchestra, conducted by John Elliot Gardner, with Frances-Rose Duchsable (piano) and Zoltan Toth (viola).

Festival in Lisbon The educational division of the Calouste Gulbenkian Foundation is organising its second New Theatre/Dance in Europe festival. It will take place in Lisbon from September 7-17 and will be called Encuentros Acaite 88.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4 4BY
Telephone: 01-248 6000

Monday August 8 1988

Mr Baker's legacy

MR JAMES BAKER has quit the US Treasury to take control of Mr George Bush's presidential campaign with a deservedly high reputation. The US trade and budget deficits remain unacceptably high...

sufficiently controlled to avoid the kind of financial crunch that could have tipped the world economy into outright recession. Indeed, Mr Baker's only failing has been his tendency, on occasion, to adopt too bawling a tone with his partners...

Momentum

At home, Mr Baker had the good fortune to occupy the centre of the stage by creating the most sweeping tax reform this century. The 1986 Act eliminated a host of tax shelters, scrapped corporate investment subsidies...

Surveillance

The currency pacts were only the visible tip of a co-ordinated iceberg. Mr Baker was also the driving force behind the introduction of a new system of "objective economic indicators" designed to facilitate multilateral surveillance of economies...

The struggle for quality

WESTERN INDUSTRY has at last begun to learn what the Japanese have known for decades: that consumers value the performance and reliability of a product at least as much as its price. No self-respecting manufacturer in Europe or the US is now without a quality improvement programme...

Quality circles

Among the leaders of this western quest for quality, sophistication has come a long way since 1980, when poor quality was almost invariably blamed on bad shopfloor workmanship. Many of the "quality circle" programmes introduced in the early 1980s flourished because management failed to underpin these self-organising groups of employees with action on its own part to improve design, development, manufacturing, distribution and service...

Consistency

All this is difficult enough to achieve in the factory. It is far harder in service organisations such as banks and especially transport, where much of the company's quality (or lack of it) depends on small, far-flung teams of employees providing consistently effective and helpful service to individual customers. British Rail is a prime case in point. As last week's watchdog report emphasised, the overall quality of its services has improved in recent years. But customer service - time-keeping, overcrowding, catering, public announcements, train cleanliness and so on - is still at best inconsistent and at worst downright bad.

Robert Graham reviews President Reagan's record in South America

Blatantly, the Reagan Administration is attempting to do some face-mending in Latin America. This is the message behind the current tour of the region by Mr George Shultz, the US Secretary of State, which winds up this week in Central America. He certainly needs to do a lot of sweet-talking. Relations with the region have been soured by misunderstandings, neglect of traditional allies and profound disagreements - first over how to tackle conflict in Central America, latterly over the handling of the crisis in Panama.

The overriding sentiment among Latin American governments is that, throughout the Reagan era, Washington has been unnecessarily obsessed by the threat of Soviet and Cuban influence in Central America...

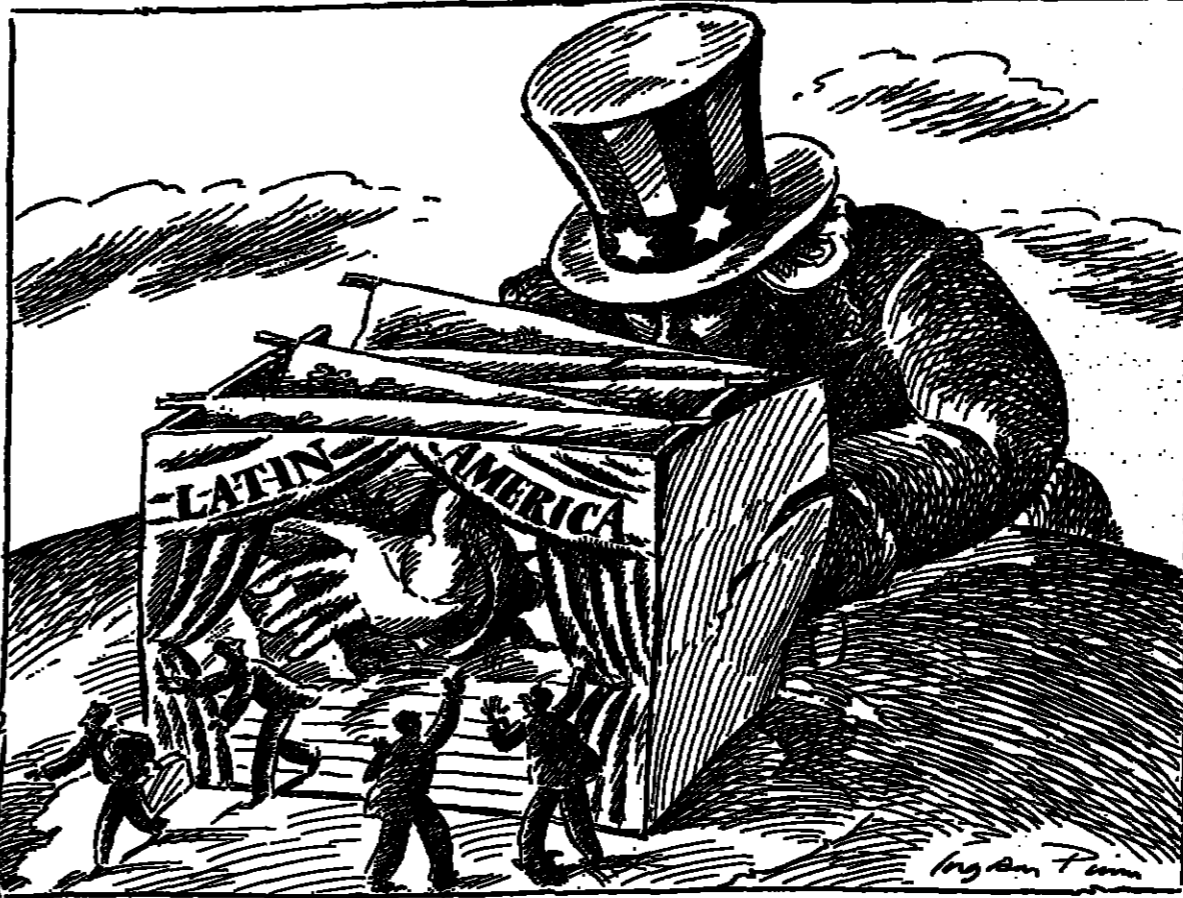
All this scarcely squares with the brave words of the 1980 Republican Party platform, which claimed "the Carter administration's policies have encouraged a precipitous decline in United States relations with virtually every country in the region."

In the event, Central America and the Caribbean has been the only area in global US policy under President Reagan where ideological guidelines have consistently triumphed over practical considerations. From the outset Mr Reagan watered down the Carter emphasis on human rights and set a priority on eliminating Soviet and Cuban influence in the hemisphere.

Throughout Mr Reagan's two Administrations, however, a general failure to consult allies in the region has produced precisely the opposite of the President's stated aim to create a more independent Latin American voice. It is unlikely to disappear, and could well prevent the US from exercising the influence over the region, implicit in the Monroe Doctrine, which has previously seemed its prerogative.

The policies have been so demagogic, certainly with Dukakis and even with Bush," says Professor Wayne Smith, a former State Department official now teaching at Johns Hopkins University. The main shift he anticipates will be a move away from the US acting alone, in an interventionist manner, to a more multi-lateral approach. The change would, of course, be more marked under Mr Dukakis, he says.

However, in private, the comments on Central American policy are self-critical. Only the most barely anti-communist Congress will pass the blame for limited results to Congress, and its failure to support



When ideology holds sway

the Contra rebels in Nicaragua. But the record speaks for itself: the left-wing insurgency in El Salvador continues at much the same intensity, the Contras have not ousted the Sandinista Government in Nicaragua but are suing for peace amidst deep internal divisions...

Nothing made President Reagan look more foolish than the bungled effort to oust Panama's General Noriega

The Reagan Administration cites the number of countries that have returned to democratic government (Argentina, Brazil, Bolivia, Grenada, Guatemala, and Uruguay). Yet, save in Grenada, the US has been more spectator than actor in the trend away from military government...

As a result, confidence has been undermined in the US as a partner to tackle the major issues facing the region. Such lack of confidence led to the formation in 1983 of the four-nation Contadora Group (Colombia, Mexico, Panama and Venezuela) to promote a peace plan for Central America in virtual defiance of the Administration.

reached a critical point simultaneously. But debt policy has never moved beyond an exercise in containment to find long term solutions. The Baker Plan was welcomed when launched in 1985 because it sought to restore growth in Latin America through a mix of economic reforms...

The irony is that both the Reagan Administration and the region's leaders are in broad agreement on what the main issues should be: the restoration and consolidation of democracy, the debt crisis, the deteriorating terms of trade and the fast-growing cancer of the illicit drugs business.

The Reagan Administration's policy failures in Latin America have been clear since the start of the Reagan era. As such as anything due to the nature of the people involved.

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the past seven years a gang of right-wing ideologues have been running things," says Prof Wayne Smith. "George Shultz has been interested in East-West issues, Europe and the Middle East. Latin America was left free to the Right and what they said appealed to the President's anti-Communist instincts."

Where Mr Shultz has directly involved himself, pragmatism has prevailed. He limited the damage caused by the open support the US gave to Britain during the Falklands conflict in 1982; he argued against overruling the efforts by President Oscar Arias of Costa Rica to present a Central American peace plan; he has helped head off a trade war with Brazil; and latterly he has accepted the need to bring Cuba into a serious dialogue over the future of southwest Africa.

But during the second Reagan term Mr Shultz mostly gave free reign to Mr Elliot Abrams, his zealous young deputy in charge of Inter-American Affairs. "There have been very strong people making policy, Abrams in particular, who have terrorised the bureaucracy," says Mr Richard Feinberg of the Overseas Development Council. The particular concern of Mr Abrams and his circle was the war in Central America.

The Central American conflict rarely enjoyed more than grudging support in Congress: Democratic votes were usually won over simply because politicians did not wish to be seen to support a Communist. Congress's rejection of further military aid to the Contras in February owed a good deal to the persistence of Costa Rican President Oscar Arias in pressing ahead with his Nobel Prize-winning peace plan.

Washington insiders are convinced it was lack of success with the Contra cause that led Mr Abrams to seek a "quick win" in Panama by removing General Noriega. Now that this venture has backfired, Mr Abrams is under strong pressure to resign. But he has clung on, if only because his departure would be too humiliating both for the right and the White House to accept.

With Mr Abrams's wings clipped, Mr Shultz has become more directly involved in Latin American affairs. Notably, he has encouraged a more back-steps diplomacy to improve relations with Cuba, which has borne fruit in the recent talks on the future of Namibia and the withdrawal of Cuban troops from Angola.

The long-standing adversarial relationship with Cuba is being undermined not by military restriction but by a mellow mood in Cuba and by changing circumstances in Latin America. Washington could successfully isolate Cuba while the continent was controlled by right-wing military governments. The new civilian governments are more amenable to arm twisting and possess a less ideologically tinted view of the world. The example of Cuba's heavy dependence upon the Soviet Union and the disastrous performance of its economy is being widely questioned by leftists in Nicaragua. Thus, for instance, the newly democratic governments in Brazil and Uruguay have restored diplomatic ties with Havana; and the post-Reagan era could well find Cuba requesting admission to the O.A.S.

As a result, the next administration - whatever its political complexion - is likely to give the communist threat less prominence in shaping Latin American policy. The Reagan administration's legacy in Central America, at least, will be more easily dealt with by the next administration.

Many mistakes and antagonisms of the Reagan era can be rectified by more sensitive diplomacy. The region is not in an "anti-gringo" mood. The majority of leaders are conservative and fundamentally pro-American; but they want to be heard and participate and see the US respect international law.

The Word is made fresh

The Anglican church, not always happy in its relations with the media, showed a remarkable access of sophistication at the Lambeth conference, just ended, in its interpretation of the Word for the early scribes of Fleet Street. The conference was attended with the full modern panoply of handouts, summaries, briefings and TV interviews with the latest electronics to send episcopal resolutions to the round earth's magazine corners at 186,000 miles per second.

This year, therefore, at the campus of the University of Kent, segregation was combined with a state of ecclesiastical press officers charged to deliver bishops for interview when required. This was not entirely easy. As Dr Ronald Bowley, Bishop of Southwark and head of the operation, remarked: "We had 525 bishops on a campus of 300 acres, and none of them was on the telephone. Even though we had the most modern equipment in the university technology centre we had to resort to runners."

After some initial grumbling among the 225 accredited press personnel, the system seems to have worked well. Scarcely were impressed, for example, that Dr Robert Runcie descended to a press conference on the ordination of women flanked by bishops

Peerless

Mr Robert Maxwell, chairman of the Mirror group, who has been re-discovering his Jewish roots, confided to Israeli television viewers last week that his chief goal in life was to help mankind. "If I were a woman," said the portly Mr Maxwell, "I would always be pregnant. I can never say 'no'." To illustrate how little concerned he is with his own personal glory, Mr Maxwell revealed that he had once even turned down a peerage, though who made him the offer - and when - was not stated.

Octomania

Today, in case you hadn't noticed, is a special day for calendar arithmetists and owners of digital watches, being designated by a perfectly symmetrical number, each of whose digits is two to the power of three. This curious fact has achieved almost portentous significance in Hong Kong, where the number eight, pronounced "bat" in Cantonese, sounds similar to the word for

Nice tone

Another happy result of the British Telecom tone dialling system: the Westminster office of the Society of Telecom Executives, the top phone man's trade union, (789 184) dials the opening bars of The Red Flag.

Scheduled stop

Mr Victor Bavah, the only British Airways representative in Beirut, was so devoted to duty that, in spite of having his car blown up twice, dodging bullets and evading roadblocks, he never failed to get to work on time. To whip up business in the eastern part of the city, he would fly 100 miles to Larnaca, Cyprus, then take an 18-hour boat trip to the north of Lebanon. Now, on his retirement after 19 years, BA is awarding him a special half-day. But alas, he will have to take inferior transport to begin it: the world's favourite airline does not touch down at the ill-starred city.

All mixed up

The disposal of assets including cars and office furniture from the collapsed Barlow Cloves Gilf Managers did not, it now appears, include goods with a more frivolous purpose specified in the sale notice. The auctioneers put wine, condoms and other items together with the Cloves assets in what what solicitors acting for Mr Peter Cloves now regard as a most unfortunate conjunction.

AMK Berlin

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Handwritten text: 1988/08/08

David Churchill reports on a dismal summer for British overseas tour operators

Sun, sand and surplus seats



Tony Andrews

But others think differently. The tour operators will have to be very confident of the strength of demand in the next few weeks if they are going to avoid heavy discounts...

British fiscal policy

How savings statistics were mismeasured

By Steven Bell

UNDERLYING the headlines row between Mrs Margaret Thatcher, the British Prime Minister and Mr Nigel Lawson, her Chancellor, is a major budget forecasting error...

British holidaymakers caught in the inevitable flight delays at UK airports over the weekend - may not have much sympathy for the pack-tour operators who sold them their delayed holidays in the first place...

Airport delays caused a sharp slump in last-minute holiday bookings

heavily this summer and thus maintain respectable profit margins, decided early on to cut capacity back by consolidating flights and holidays...

LETTERS

Property tax methods compared

Mr R. Corry Rhodes, Director of Intasun, the UK's second largest tour operator, believes that the poor summer weather at home will benefit tour operators as consumer seek last-minute sunshine holidays...

A future less grim than it has been painted

Mr Trevor J. Thomson, Director of Intasun, the UK's second largest tour operator, believes that the poor summer weather at home will benefit tour operators as consumer seek last-minute sunshine holidays...

This year's sterling appreciation is justified

Mr B.L. Connolly, Director of Intasun, the UK's second largest tour operator, believes that the poor summer weather at home will benefit tour operators as consumer seek last-minute sunshine holidays...

Divided we stand

Mr J.C. Atfield, Director of Intasun, the UK's second largest tour operator, believes that the poor summer weather at home will benefit tour operators as consumer seek last-minute sunshine holidays...

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Advertisement for Factmaster time management system, featuring a binder and various organizational tools. Text includes 'WHAT IS FACTMASTER?', 'FACTMASTER HAS THREE MAIN FEATURES', and 'PERSONALISED WITH YOUR INITIALS'.

Divided we fall

Mr J.C. Atfield, Director of Intasun, the UK's second largest tour operator, believes that the poor summer weather at home will benefit tour operators as consumer seek last-minute sunshine holidays...





This announcement appears as a matter of record only.

New Issue

24th March, 1988

£125,000,000



**The Royal Bank of Scotland plc**

10½ per cent. Subordinated Bonds due 1998

Guaranteed on a subordinated basis by  
**The Royal Bank of Scotland Group plc**

Issue Price 101½ per cent.

Union Bank of Switzerland (Securities) Limited

- |                                        |                                                |
|----------------------------------------|------------------------------------------------|
| Charterhouse Bank Limited              | Chase Investment Bank                          |
| Merrill Lynch International & Co.      | Security Pacific Hoare Govett Limited          |
| S. G. Warburg Securities               |                                                |
| Banque Bruxelles Lambert S.A.          | Baring Brothers & Co., Limited                 |
| Crédit Commercial de France            | Goldman Sachs International Corp.              |
| Hambros Bank Limited                   | Kidder, Peabody International Limited          |
| Kleinwort Benson Limited               | Nomura International Limited                   |
| Phillips & Drew                        | Salomon Brothers International Limited         |
| Shearson Lehman Brothers International | SBCI Swiss Bank Corporation Investment banking |

This announcement appears as a matter of record only.

New Issue

22nd April, 1988

ECU 150,000,000



**European Investment Bank**

7½ per cent. Bonds due 1996

Issue Price 101½ per cent.

Union Bank of Switzerland (Securities) Limited

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|-----------------------------------------------------|------------------------------------------------------------|
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| Cassa di Risparmio delle Provincie Lombarde-CARIPLO | Crédit Commercial de France                                |
| Crédit Lyonnais                                     | Deutsche Bank Capital Markets Limited                      |
| Mitsubishi Finance International Limited            |                                                            |
| BNP Capital Markets Limited                         | Banca Nazionale del Lavoro                                 |
| Banco di Roma International S.A.                    | Bankers Trust International Limited                        |
| Banque Internationale à Luxembourg S.A.             | Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft |
| Bayerische Landesbank Girozentrale                  | Caisse Centrale des Banques Populaires                     |
| Daiwa Europe Limited                                | Generale Bank                                              |
| Genossenschaftliche Zentralbank AG<br>Vienna        | The Long-Term Credit Bank of Japan (Europe) S.A.           |
| Merrill Lynch International & Co.                   | Morgan Stanley International                               |
| The Nikko Securities Co., (Europe) Ltd.             | Rabobank Nederland                                         |

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New Issue

5th May, 1988

U.S.\$100,000,000



**THE TORONTO-DOMINION BANK**  
*(a Canadian chartered bank)*

8 per cent. Deposit Notes due July 5, 1990

Issue Price 101.0625 per cent.

Union Bank of Switzerland (Securities) Limited

- |                                         |                                  |
|-----------------------------------------|----------------------------------|
| Banca del Gottardo                      | Banque Bruxelles Lambert S.A.    |
| Banque Internationale à Luxembourg S.A. | Commerzbank Aktiengesellschaft   |
| Goldman Sachs International Corp.       | McLeod Young Weir International  |
| The Nikko Securities Co., (Europe) Ltd. | Prudential-Bache Capital Funding |
| Swiss Cantobank (International)         |                                  |

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New Issue

28th April, 1988

Can. \$300,000,000



**BCE Inc.**

9½% Series 4 Notes, Due 1993

Issue Price 101¾%

Union Bank of Switzerland (Securities) Limited

- |                                                  |                                                 |
|--------------------------------------------------|-------------------------------------------------|
| Crédit Lyonnais                                  | Dresdner Bank Aktiengesellschaft                |
| Generale Bank                                    | Hambros Bank Limited                            |
| Merrill Lynch International & Co.                | Nomura International Limited                    |
| RBC Dominion Securities Inc.                     | Salomon Brothers International Limited          |
| Wood Gundy Inc.                                  |                                                 |
| Julius Baer International Limited                | Burns Fry Limited                               |
| Lévesque, Beaudin Inc.                           | Manufacturers Hanover Limited                   |
| Merck, Finck & Co.                               | McLeod Young Weir International Limited         |
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| Verbraucher- und Westbank Aktiengesellschaft     |                                                 |

مكتبة ابن بطوطة



INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

Active summer in the Mediterranean

THE THOUGHTS of those who suffer the privations of what passes these days for summer in northern Europe (last weekend notwithstanding) often turn to Mediterranean climes.

In the UK, Charterhouse has disclosed terms of the £250m financing it was mandated to arrange for Lowndes Ventures to finance part of its acquisition of Harris Queensway.

This is particularly true this year for bankers in the international loans market, where, in what is normally its quietest period, several financings for countries in that region are under way.

Morgan Grenfell and ImI, the bank of IMI, the Italian state holding company, are syndicating a \$250m refinancing of bilateral debt between Italy and Brazil.

The new financing carries a final maturity of July 1993 and an average life of 2.4 years.

The margin is 17.5 basis points above London inter-bank offered rates.

The syndication of a \$100m loan for Borealis, Exteriors d'Algerie has been extended.

The seven-year loan carries a four-year grace period and a margin of 1/2 point over Libor.

The loan, for which Gulf International Bank is the agent, is underwritten by seven banks, including Chase Manhattan, the first US bank to underwrite a financing for the country in three years.

Eleven banks have already joined in syndication, achieving a sell-down of almost 27 per cent.

With a sell-down target of 30 per cent, the lead banks say they are well pleased with the response so far.

There is a tender panel, a facility fee of 10 basis points and a maximum margin of 15 basis points.

Chase, which last week completed a £100m facility for the Abbey Life Group, is syndicating the financing of a Boeing 747-200 air freighter with GE engines to Air France.

A Chase leasing company in Tokyo will own the aircraft, 23.1 per cent of the financing for which is being provided by a Japanese leasing syndicate and the rest, amounting to about \$80m, by a syndication among banks which have no problem with Japanese withholding tax.

This latter credit has a 12-year final maturity, an 8.72 year average life.

Stephen Fidler

INTERNATIONAL BONDS

Japanese equity warrants poised for resurgence

SYNDICATE managers effectively prevented from issuing Japanese equity warrant deals for the last fortnight might be a bit bolder this week.

It will be interesting to see how many emerge, however. Although the Tokyo stock market continues to post record highs - so frequently now that it fails to excite much notice - the mood in the equity warrant bond sector is cautious, to say the least, after last month's experiences.

The relatively swift return to more rational pricing and orderly trading practices has been hailed by many operators as a clear sign that the equity warrant market, regarded for so long as rather marginal and speculative, has finally grown up.

Others have pointed out, however, that the recent crisis stemmed directly from its break-neck growth in too short a period and, although the market has attained a respectable depth, there are still times when it exhibits a relative lack of sophistication.

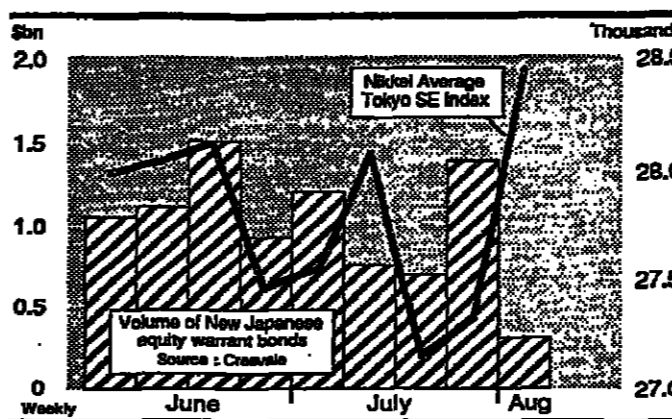
The moratorium on new deals, reluctantly agreed to by the major lead managers following pressure from the main non-Japanese houses, was obviously the appropriate remedy for the bout of chronic oversupply which hit the sector two weeks ago.

They included Mitsui Toatsu Chemical, Nippon Fire & Marine Insurance and Nichirei, the cold storage company, which all met a far happier reception than their immediate predecessors.

The first two borrowers were particularly popular. Mitsui Toatsu ended the week bid around par, Nippon Fire at 99 and Nichirei around 98, a substantial improvement on grey market prices of as low as 90 and 91 seen on a handful of deals only a few days before.

More realistic coupon levels - 4 1/2 per cent on the four-year deals and 5 1/4 on five-year maturities - have certainly boosted the deals, but dealers pointed out that these names were also decidedly more welcome than those of some of the distinctly second-rate stocks which had previously tapped the sector.

A senior warrant trader said:



Investors have returned to a more selective mode, thinking hard about the underlying stocks before rushing into the deals, and it wouldn't be a bad idea if the syndicate managers did just the same. Sentiment has also been greatly buoyed by the latest rally on the Tokyo stock market. Share price movements are expected to exert greater influence than ever on the new equity warrant bond calendar.

Last week, these included department stores, financials and paper and pulp companies - the last apparently propelled higher by rumours, later quashed, that the emperor was in ill health. The coronation of a new emperor would entail the reprinting of all official stationery, calendars and the like. The short-term outlook remains favourable although most analysts seem to think upside potential is limited because there are few fundamentals to push the market any higher.

in selling pressure than to a surge in buying, another factor which could limit the rally.

Clearer market direction will probably not be apparent until later in the month. Although Japan does not experience a summer holiday exodus as pronounced as Europe's, several Tokyo fund managers are expected to be away during the coming Obon festival when Japanese families traditionally honour the spirits of their ancestors.

This anticipated lull is bound to accelerate the move of relatively cheap warrant bond paper still cluttering up lead managers' and market makers' books, making room for a few selected new issues. Quality and not quantity, however, is expected to be the new yardstick when the primary market gets back into full swing.

The minimum size for new issues in which an active two-way market is guaranteed will be on the agenda when the market makers in the sector hold their regular meeting next month. The frayed nerves seen during the oversupply crisis last month have been mollified by the latest trace and the chances of reaching a compromise on new trading guidelines look decidedly brighter than for some time.

Many market makers, most of them non-Japanese houses, were frustrated by the lead managers' apparent lack of compunction in effectively dropping some of their smaller and less attractive deals by failing to make a genuine two-way market in them.

Most are now optimistic that they will agree on a minimum issue size for active trading, probably of \$150m. For deals smaller than this, demand will depend on the attractiveness of the company in question, thus putting an extra burden on the lead managers who are beholden to their issuers.

The World Bank is issuing a ¥70bn Daimyo bond in the domestic Japanese yen market. The coupon on the bonds is 5 1/2 per cent and the issue is priced at 100 1/2. The final maturity is 10 years, giving a 5.12 per cent yield on a semi-annual coupon equivalent basis. The issue is through Yamaichi Securities.

Although issued in the domestic market, Daimyo bonds incorporate special features to boost liquidity. These include the settlement of trades through international book-entry clearance systems and listing on the Luxembourg Stock Exchange. The issue may also be reopened and increased with further offerings featuring the same maturity and coupon.

Dominique Jackson

NEW INTERNATIONAL BOND ISSUES

Table with columns: Borrowers, Amount m., Maturity, Av. life years, Coupon %, Price, Book runner, Offer yield %. Includes sections for US DOLLARS, CANADIAN DOLLARS, D-MARKS, SWISS FRANCS, LUXEMBOURG FRANCS, STERLING, YEN, FRENCH FRANCS.

Advertisement for Nokia Corporation revolving credit facility. Features Nokia logo and list of participating banks: Kansallis Banking Group, Union Bank of Finland Limited, Credit Suisse First Boston Limited, etc.

Advertisement for Dixons Group plc 11% Bonds due April 1995. Features Dixons logo and list of participating banks: J.P. Morgan Securities Ltd., Union Bank of Switzerland, Baring Brothers & Co., etc.

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FINANCIAL TIMES
Europe's Business Newspaper

US MONEY AND CREDIT

Fed squares up to a no-win policy decision

THE Federal Reserve Board, increasingly receiving plaudits for its subtle management of financial markets, may nevertheless be damned by those very markets if it does or does not tighten monetary policy again.

It is a difficult question whether the US Treasury bond market fears another tightening move or a lack of one more. Last Friday, it was the prospect of higher interest rates which sent prices down by a full point in the wake of an extremely strong set of employment figures. But, if the Fed funds rate stubbornly sticks in its current range between 7% per cent and 7 1/2 per cent in the next few weeks, bond traders will run even more scared.

If the Fed were to decide not to tighten any further, those who have been applauding the responsiveness of Mr Alan Greenspan, the Fed chairman, to inflationary pressures in the economy would just as swiftly turn around and accuse the chairman of irresponsibility and even of putting the Republican cause before good management of the economy.

The justification for tighter monetary policy seems to be

undoubtedly. Last week's series of economic figures all pointed to a robust economy. Factory orders jumped 5.5 per cent in June and the rise was not all in the defence sector.

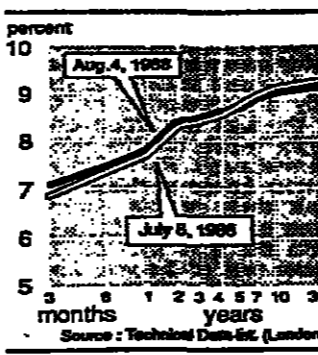
Single family home sales surged by 8.5 per cent in the same month, and there may have been an element of people trying to beat higher mortgages expected in the months ahead. Nevertheless, everything in the economic release pointed to a healthy housing market.

Leading indicators rose 1.4 per cent in June. Although the indicators were revised downwards in April and May, the June surge was still the largest monthly increase since December 1986 and not the kind of figure one would expect if the economy was beginning to slow down.

Then there were the unemployment figures. Every element pointed to strong if not accelerating growth and to evidence that wage increases are beginning to pick up speed.

Taken together with the section in the Fed's Tan Book compiled from regional Federal Reserve bank reports, which talked of capacity constraints,

US Treasury yields



Source: Technical Data Co. (London)

rising materials prices and labour market tightness, the odds of a further tightening in policy seem to be high.

However, nobody expects any dramatic turn in policy. The most likely scenario is that the Fed will continue gently, almost imperceptibly, to encourage the Fed funds rate to rise. A discount rate remains unlikely.

Mr Larry Leuzzi, fixed-income strategist with Warburg Securities in New York, reckons that Fed funds will gradually drift higher, hitting 8 per cent perhaps after about two weeks.

It seems doubtful whether much evidence of tightening will emerge this week, which is a particularly sensitive one not only for bond market traders but also for politicians.

First, it is the week of the Treasury's quarterly refund-

ing, which already has to overcome possible investor unease with some unusual elements, notably the lack of a long bond and unusually large 10-year auctions of three-year and 10-year notes.

Nikko Securities reports great interest in Treasuries from Japan. From January to July, Japanese net bond purchases overseas totalled more than \$50m, of which 70 per cent to 80 per cent was dollar-denominated.

From its soundings, Nikko concludes that Japanese investors believe the dollar will be weaker by the end of the year but that its current stability will last beyond the refunding. They also view the current yield spread between dollar and yen bonds as "about right".

With domestic demand for Treasuries almost non-existent, the number of Japanese who show up at this week's party will be crucial.

One plus point is that the sharp drop in prices last Friday, which reversed the technical gains scored earlier in the week, have made yields that much more attractive.

Nevertheless, the Fed will not want to unsettle the market with any overt policy moves. It will also be concerned not to pour damp water on Vice President George Bush's glory hour at the coming New Orleans Republican convention. Mr Bush has already expressed concerns about any undue tightening in

monetary policy.

Another reason that the Fed has to proceed cautiously is that the dollar, which is already putting a great deal of pressure on the Bundesbank, has only just raised its Lombard rate.

The US cannot risk an uncontrolled surge in the dollar which would put further pressure on the West German D-Mark and therefore upward pressure on German interest rates.

The risks were clear last Friday when the dollar leapt to its highest level against the D-Mark this year.

The next meeting of the Federal Open Market Committee is on August 16 and the Fed will have to decide whether to tighten this month or whether to wait for more economic data and move in September. Because the election is getting nearer, the timing of any tightening moves becomes even more crucial and the Fed may decide to act now to get bad news out of the way as early as possible.

While the primary focus of the bond market this week will be the Treasury auctions tomorrow and Wednesday, there are also some economic releases of particular interest.

One which could have most influence on bonds is expected on Friday of July figures for producer prices, expected to rise by 0.5 per cent.

Janet Bush

Japan acts on interest rate curbs

By Ian Hodger in Tokyo

THE JAPANESE Ministry of Finance has announced further steps in its programme to remove controls from interest rates on bank deposits.

From November, controls on interest rates on large-scale time deposits down to ¥30m (529,215) will be removed. At present all deposits below ¥30m are subject to controlled rates.

The ministry also said it would lower the ceiling for controlled rate deposits to ¥20m next spring and to ¥10m in the autumn of 1989.

The gradual decontrol of interest rates on deposits has been one of the main features of the deregulation of Japanese financial markets in the last four years. However, so far has affected only interest rates on large-scale deposits.

Decontrol of interest rates on small-scale deposits has been strongly resisted by the Ministry of Posts and Telecommunications (MPT), which operates a huge postal savings system. Hopes that progress would be made in this area this year have apparently diminished.

Finance officials said on Friday that they had begun negotiations with the MPT aimed at lifting controls on smaller deposit interest rates, but no moves were expected until next spring.

US MONEY MARKET RATES (%)

Table with columns: Instrument, Last Friday, 1 week ago, 4 wks ago, 12-month high, 12-month low. Rows include Fed Funds (weekly average), Three-month Treasury bill, Six-month Treasury bill, Three-month Treasury note, 30-day Commercial Paper, 90-day Commercial Paper.

US BOND PRICES AND YIELDS (%)

Table with columns: Instrument, Last Friday, Change on wk, Yield, 1 week ago, 4 wks ago. Rows include Six-month Treasury, Three-month Treasury, 30-year Treasury, 20-year Treasury, New 10-year Financial, New 7 1/2% Long Utility, New 7 1/2% Long Industrial.

US BOND PRICES AND YIELDS (%)

Table with columns: Instrument, Last Friday, Change on wk, Yield, 1 week ago, 4 wks ago. Rows include Six-month Treasury, Three-month Treasury, 30-year Treasury, 20-year Treasury, New 10-year Financial, New 7 1/2% Long Utility, New 7 1/2% Long Industrial.

NRI TOKYO BOND INDEX

Table showing performance index for various bond categories: Government Bonds, Municipal Bonds, Sent. - guaranteed Bonds, Bank Deposits, Corporate Bonds, Yen-denom. Foreign Bonds, Government 10-year. Includes columns for Average, High, Last, 12 wks ago, 26 wks ago.

FTA/IBD INTERNATIONAL BOND SERVICE

Large table listing international bond services with columns for Country, Instrument, Bid, Ask, Yield, and other financial metrics. Includes sections for US Dollar, Swiss Franc, Australian Dollar, and various international government and corporate bonds.

The Mitsubishi Trust and Banking Corporation
(Incorporated in Japan)
U.S. \$100,000,000
3 1/4 per cent. Convertible Bonds Due 2003
Issue Price 100 per cent.
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Yamaichi International (Europe) Limited
J. P. Morgan Securities Ltd.
Union Bank of Switzerland (Securities) Limited
County NatWest Limited
Nomura International Limited
Bankers Trust International Limited
Baring Brothers & Co., Limited
Daiwa Europe Limited
Goldman Sachs International Corp.
Marusan Europe Limited
The Nikko Securities Co., (Europe) Ltd.
Okasan International (Europe) Limited
SBCI Swiss Bank Corporation Investment banking
Security Pacific Hoare Govett Limited
S. G. Warburg Securities
Merrill Lynch International & Co.
Morgan Stanley International
Westdeutsche Landesbank Girozentrale
Deutsche Bank Capital Markets Limited
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## INTERNATIONAL CAPITAL MARKETS AND COMPANIES

## Enimont prepares to take on the world's chemical industry

John Wyles on the long-awaited public and private sector merger of the Enichem and Montedison groups

Mr Franco Reviglio's mood was nothing less than euphoric. "I feel drained, like after writing a book or taking final examinations," declared the president of Eni, the Italian state energy group, on Friday evening after the Government had finally approved the long-awaited chemicals joint venture between Enichem and Montedison, officially baptised Enimont.

He saw nothing hyperbolic in his assertion that the project between public and private sectors was "the biggest industrial policy operation ever carried out in Italy."

The grandeur had been emphasised by the difficulties encountered during two-and-a-half years of often faltering discussions which were eventually rescued because Montedison's new owner, Mr Raul Gardini, the boss of the Ferruzzi agricultural empire, accepted the project's industrial logic and needed its financial benefits.

The agreement will lead to the launch next January of a group with an asset value of

L9,500bn (\$7bn), annual sales of L13,000bn and, on present performance, gross profits of about L1,000bn a year. Shareholders' capital will total L4,000bn, of which about 80 per cent will be equally divided between Enichem and Montedison, and the remainder placed with third party investors.

It will start out with a significant debt burden since Mr Gardini has succeeded in placing L3,800bn (out of about L8,000bn) of Montedison's debt with the new company, while Enichem is committing L2,300bn. The L6,100bn total should be reduced to at least L5,500bn after third party investment.

The unequal debt allocation to Enimont from the two parents reflects differences in the asset values they are contributing. After serious difficulties over valuations, which at one time seemed to threaten the negotiations, Enichem's businesses were assessed at L4,000bn and Montedison's at L5,500bn.

The owners have agreed to leave all profits in the business in the first three years with the



Lorenzo Necci of Enichem: the new president

aim of amassing L3,000bn to reduce the debt burden.

If profits are insufficient, then Enichem and Montedison will underwrite a capital increase to ensure the target sum is reached. The embargo on dividends, however, would not apply to third party investors.

According to Mr Reviglio, Morgan Stanley and Goldman Sachs, the merchant banks who have advised during the negotiations, gave assurances "that there will be no problem in selling the minority stake. We are aiming at 15 to 20 per cent, but if the demand is there, we could go higher, even to 30 per cent."

The Eni president sees much potential interest in Italy and abroad in a venture bearing a price earnings ratio of between four and five. Apart from the institutions, it is thought quite possible that the fibres subsidiary of Fiat-controlled Suisa and Dow Chemical of the US may be among industrial companies looking for a stake.

The initial ownership arrangement between Enichem and Montedison is set to last for at least six years unless, at the end of three, Montedison offers to sell any of its more specialised chemicals businesses to Enimont. The most important candidate would be Himont, its 80 per cent-owned US subsidiary, which accounts for 20 per cent of the world market in polypropylenes and



Raul Gardini of Montedison: accepted project's logic

turned in profits of \$27m in 1987.

In the event of any offer, it has been agreed that Eni could agree to expand Enimont and in so doing descend to a minority stake; it could refuse and buy out Montedison; or it could sell a controlling stake to Montedison. The Eni president said

he was happy with these three options.

The negotiations had been "very tiring" but they had yielded a "very important joint venture for the future of this country," he said. There was every possibility of constructing a strong, profitable basic chemicals industry capable of competing at an international level and of reducing the deficit on Italy's chemicals trading account, which topped L7,000bn last year.

The management of the new company will be jointly led by Mr Lorenzo Necci, Enichem's softly-spoken and highly effective managing director, who will be its president, and Mr Sergio Cragnoletti, the Montedison vice-president, who will be managing director.

Neither side sees much potential for conflict in this equal division of powers. The two managers will be guided by a detailed business plan which has already been negotiated and a controlling board requiring a 65 per cent majority for strategic decisions.

The business plan reportedly gives a clear picture of the

strengths and weaknesses of the new venture. It foresees some rationalisation among the 70 industrial plants and 50,000-strong workforce with an initial need for about 4,500 redundancies. But according to Mr Reviglio, most of the necessary rationalisation in Enimont's two halves has already taken place.

In this case, overlapping activity is not a handicap since Enimont is looking for higher production at lower costs from the sum of its two halves. Investment requirements of L4,500bn in the next three years have been identified and some L3,000bn has already been notionally allocated.

A much expanded effort will be put into research and development in a strategic plan, which also calls for a strengthening of international activities, particularly in elastomers, polyethylenes and polystyrenes, a greater exploitation of the existing product range through acquisitions, disposals and joint ventures, some new product development and selective specialisation in some fine chemicals.

## Daimler reduces stake in Dornier

By Our Financial Staff

DAIMLER-BENZ, the diversified West German motor group, has reduced its holdings in Dornier, its aerospace subsidiary, to 54 per cent from 65.3 per cent by selling back shares to a member of the Dornier family.

The announcement came only a few days after the industrial group finally agreed with family shareholders in the Dornier subsidiary on a disputed capital injection. The Dorniers are the largest minority shareholders.

Daimler's reduced stake, however, is not likely to affect its control over the aerospace company. Under the compromise agreed with the Dorniers, Daimler was granted total control over Dornier while giving financial concessions in return. The Dornier family gave up the right to veto decisions on company policy.

Daimler said the company had returned an 11.5 per cent stake in Dornier to Mr Silvan Dornier, who temporarily resigned these shares to Daimler when he and his relatives sold a majority of the company to Daimler in 1985. Mr Silvan Dornier and the heirs of Mr Claudius Dornier now hold 21.24 per cent each.

## Cusaf warns of uncertainty

By Jim Jones in Johannesburg

COMMERCIAL UNION South Africa, the associate of Commercial Union Assurance, benefited from better premium ratings in the six months to June 30 but warned that the insurance market was particularly uncertain.

Interim pre-tax profit rose to R19.5m (\$7.92m) from R12.6m. For the whole of last year, the company turned in pre-tax profits of R26m.

Cusaf wrote R124.2m of net short-term premiums in the first half against R105.1m last time, and R201.5m for the whole of last year. The interim underwriting surplus increased to R16m from R3.7m against a total underwriting surplus of R10.9m last year.

## GM seeks car rental holding

By James Buchan in New York

GENERAL MOTORS looks set to follow Ford and Volvo into the multibillion dollar US car rental industry after the weekend announcement that it is seeking a big stake in National Car Rental.

The US motor manufacturer said it was negotiating to buy a "substantial minority interest" in National as part of a reorganisation of the ownership of the third largest US car rental company.

Fidelco, a private New Jersey investment company, is buying out its two partners in an investor group that acquired National from Household International for \$1.5bn in 1986. The two partners are PaineWebber, the Wall Street investment firm, and Ardshiel, a small New York firm.

None of the participants would say how much Fidelco was paying. The three firms originally put up \$459m in cash

for National and assumed \$10m of debt.

GM said yesterday that it saw National as a "good investment" rather than as a purchaser of its vehicles. GM already supplies 75 per cent of National's fleet in the US.

In June, Volvo of Sweden bought 20 per cent of Hertz for \$100m from Ford, which backed a management buyout of the market leader last year.

## Troubled FCA shows further loss in quarter

By Our Financial Staff

FINANCIAL Corporation of America, the largest but deeply troubled US savings and loan institution, reported further losses in the second quarter of \$160.5m, reflecting the continuing drag of non-performing assets and lower income from loans and mortgage securities.

The company, parent of American Savings and Loan Association, lost \$176.8m a year earlier and in the latest half losses rose to \$233.6m compared with \$167.5m a year ago.

Mr William Popejoy, chairman, said: "We are hopeful that capital relief will come soon and that it will provide the boost needed for us to stop the further financial deterioration of the association."

Mr Robert Bass, a prominent Texas investor, is negotiating the purchase of American Savings and Loan, which has assets of about \$90bn.

## Cofir buys into health insurer

By Tom Burns in Madrid

COFIR, the Spanish investment arm of Cerus, Mr Carlo De Benedetti's European holding company, has conducted its second large raid this year into the domestic market with the acquisition of 40 per cent of Santitas, Spain's leading private health insurance company.

Cofir said full details of the deal, including the price of the acquisition, would be made public next month. It added that the agreement would

strengthen the health company's financial structure and would permit it to expand into other areas of the insurance business.

Last April, Cofir, which was launched in Spain a year ago, announced its first big investment with the acquisition of a 21 per cent stake in Pascual Hermanos, the country's premier citrus exporter.

In June, with the clear aim of building a war chest for fur-

ther purchases, Cofir floated 15 per cent of itself on the Spanish bourse to raise Pta1.2bn (\$10.5m) and announced plans to raise a further Pta4bn in convertible bonds.

Santitas has been courted in the past month by a number of European companies. Wintberer, the Swiss insurance group, was understood to be Cofir's greatest rival for an agreement. The Spanish company earned Pta16.3bn last year in premiums.

## Publisher acquires Ottawa newspaper

Robert Gibbens in Montreal

OTTAWA, Canada's federal capital with a metropolitan population of about 500,000, may soon be getting a second daily newspaper.

Toronto Sun Publishing, one of the country's most aggressive publishing groups, is buying 90 per cent of Sunday Herald, the weekly tabloid. Toronto Sun will rename it the Ottawa Sun, spruce up the

Sunday tabloid edition and, if the market justifies, take it daily next spring.

Mr Donald Creighton, Toronto Sun president, says the deal was conducted for less than C\$1m (US\$83m), and the minority shares will be retained by the five-year-old Herald's founders. Toronto Sun is in effect buying circulation of about 30,000 a week

The Southam-owned Ottawa Citizen, which publishes six days a week and has an average daily circulation of about 200,000, will have real competition for the first time since 1980 when the Ottawa Journal, owned by Thomson Newspapers, folded.

The Toronto Sun, controlled by Maclean Hunter, is majority owner of the Financial Post.

## Cepsa lifts profit by 30% in first half

By Our Madrid Correspondent

CEPSA, the Spanish oil refiner controlled by Banco Central and linked to Abu Dhabi's International Petroleum Investment (IPIIC), has posted pre-tax group profits of Pta13bn (\$106m) in the first six months of this year, a 30 per cent increase on the first half of 1987.

At the beginning of this year, IPIIC acquired 10 per cent

of Cepsa's stock and undertook to supply its new partner with 60,000 barrels a day of crude, close to a third of its requirements. The deal included a framework for co-operation in the Spanish company's chemical and petrochemical interest.

Cepsa said the group's turnover over the six months had topped Pta260bn and generated

Pta14.7bn worth of cashflow.

There was no comment by the group on market reports that IPIIC could seek to increase its holding in Cepsa. The company is, however, at an interesting stage in its development due to the on-going merger between Banco Central and Banco Espanol de Credito.

NEW ISSUE

This announcement appears as a matter of record only.

JUNE 1988

£80,000,000



## Nationwide Anglia Building Society

(Incorporated in England under the Building Societies Act 1986)

Subordinated Floating Rate Notes Due July 1998

Credit Suisse First Boston Limited

Bankers Trust International Limited

Baring Brothers &amp; Co., Limited

First Bank System Capital Markets

Kidder, Peabody International Limited

Kleinwort Benson Limited

S. G. Warburg Securities

NEW ISSUE

These Bonds having been sold, this announcement appears as a matter of record only.

JUNE 1988



(Incorporated in England under the Building Societies Act 1986)

## 4% Bonds 1988-1993 of SFr. 200,000,000

lead managed by

CREDIT SUISSE

underwritten by  
CREDIT SUISSE

Swiss Volksbank

Swiss Cantonalbanks

Bank J. Vontobel &amp; Co. Ltd.

BSI - Banca della Svizzera Italiana

Banque Romande

Swiss Mortgage and Commercial Bank - HYPOSWISS

La Roche &amp; Co.

Compagnie de Banque et d'Investissements, CBI

Credit Union Bank

Banca del Gottardo

Banque Bruxelles Lambert (Suisse) S.A.

Banque Kleinwort Benson SA

Chase Manhattan (Switzerland)

Crédit Commercial de France (Suisse) S.A.

Dai-ichi Kangyo Bank (Switzerland) Ltd.

Goldman Sachs Finanz AG

HandelsBank NatWest

Lloyds Bank plc

Banque CIC Union Européenne en Suisse

Baring Brothers S.A.

Kreditbank (Suisse) S.A.

SOGENAL, Société Générale Alsacienne de Banque

Private Trust Bank Corporation



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Trust, Abnott Management Ltd, American Growth, and others, including their names and brief descriptions.

Table listing unit trusts under the heading 'Abnott Management Ltd', including American Growth, American Income, and others.

Table listing unit trusts under the heading 'Bank of Ireland', including Bank of Ireland Fund, Bank of Ireland Growth, and others.

Table listing unit trusts under the heading 'Barclays', including Barclays Growth, Barclays Income, and others.

Table listing unit trusts under the heading 'CIBC', including CIBC Growth, CIBC Income, and others.

Table listing unit trusts under the heading 'Crest', including Crest Growth, Crest Income, and others.

Table listing unit trusts under the heading 'Fidelity', including Fidelity Growth, Fidelity Income, and others.

Table listing unit trusts under the heading 'Fidelity Investments', including Fidelity Growth, Fidelity Income, and others.

Table listing unit trusts under the heading 'Fidelity Investments', including Fidelity Growth, Fidelity Income, and others.

I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD. Tel: 01-828 7233/5699. Reuters Code: IGIN, IGI0.

FT 30 Aug. 1508/1517 +6 FISE 100 Aug. 1870/1880 +7 WALL STREET Aug. 2110/2127 +8 Sep. 1509/1515 +6 Sep. 1871/1881 +8 Sep. 2116/2128 +8

JOTTER PAD: A grid for writing answers to the crossword puzzle.

CROSSWORD No. 6,702 Set by QUARK

Crossword puzzle grid with numbers indicating starting positions for words.

- ACROSS: 1 Successful action includes vicar returning in camouflage (5-2); 5 First sign of arthritis the doc treated; there'll be a charge (7); 9 Lubricated and worked the top off (5); 10 For delivering the message "Show the flag" (9); 11 This theatrical notice could be a disappointment (5,4); 12 Ruptured a vein producing spots on the skin (5); 13 Flower opening after a short time (5); 15 Policy that provides confidence (9); 16 Cleaning agent put off cultured man (9); 18 The province of birth (5); 21 A letter to the doctor takes a certain shape (5,4); 23 Ten tens one thousand? Wrong! It's just a thought (9); 25 The voice arguing against the officer's nothing (9); 26 Some immediately ruin a new item; that's senseless (5); 27 Crops can be begged for by society (7); 28 It's strange the English in the dry can be so unsteady (7).

- DOWN: 1 One can get hooked on this work (7); 2 A case that's all about food (3-2,4); 3 Intricate grid the east raised on a fabric (9); 4 Take for granted mail's usually initially delayed (9); 5 Animal taking more than half a shrub (5); 6 Rudimentary cricket providing much movement in field? (3,3,3); 7 Gas from the oxygen group (5); 8 Before "Time" is bailed he goes into hiding (7); 14 Course? Change course to fruit (9); 16 A useful tree rested in the forest (9); 17 Excited "doer" meant to see this well-known sight (5,4); 18 Orders runs (7); 20 Many a man surrenders right to get a draw (7); 22 One who has party to show nerves (5); 23 How to describe fuel? That's hard (5); 24 Epic in Virgil I admire (5).

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday August 20.

Table listing unit trusts under the heading 'Crest', including Crest Growth, Crest Income, and others.

Table listing unit trusts under the heading 'Fidelity', including Fidelity Growth, Fidelity Income, and others.

Table listing unit trusts under the heading 'Fidelity Investments', including Fidelity Growth, Fidelity Income, and others.

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Table listing unit trusts under the heading 'Fidelity Investments', including Fidelity Growth, Fidelity Income, and others.

GUIDE TO UNIT TRUST PRICING: Information regarding the pricing of unit trusts, including details on the FT Unit Trust Pricing Service and how to use the information.

FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information with columns for Name, Type, and various financial metrics. Includes sub-sections for 'INSURANCES' and 'OTHER UK UNIT TRUSTS'.

INSURANCES

Table listing insurance-related unit trusts and their details.

OTHER UK UNIT TRUSTS

Table listing other UK unit trusts and their details.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Main body of the document containing a grid of unit trust information with columns for fund names, managers, and other details.

MANAGEMENT SERVICES

Table listing various management services and their associated details.

OFFSHORE INSURANCES

Table listing offshore insurance options and their details.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas investment options.

UK LISTED

Table listing UK listed investment options.

Handwritten Arabic text at the bottom of the page.



FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service listing various unit trusts, their managers, and performance metrics.

LONDON SHARE SERVICE

Table of London Share Service listing various funds, including British Funds, Foreign Bonds & Rails, and other investment vehicles.

OTHER OFFSHORE FUNDS

Table of Other Offshore Funds listing various international investment funds.

Money Market Trust Funds

Table of Money Market Trust Funds listing various short-term investment funds.

Money Market Bank Accounts

Table of Money Market Bank Accounts listing various high-interest bank accounts.

LONDON SHARE SERVICE

AMERICANS (Contd)

Table listing American stocks including 3M, Alcoa, and others with columns for price, change, and date.

CANADIANS

Table listing Canadian stocks including Alcan, Inco, and others with columns for price, change, and date.

BANKS, HP & LEASING

Table listing bank and leasing stocks including Bank of Montreal, CIBC, and others.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads stocks including Balfour Beatty, Bovis Lend Lease, and others.

CHEMICALS, PLASTICS

Table listing chemical and plastic stocks including ICI, British Petroleum, and others.

DRAPERY AND STORES

Table listing drapery and stores stocks including Debenhams, Debenhams Group, and others.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads stocks including Balfour Beatty, Bovis Lend Lease, and others.

ELECTRICALS

Table listing electrical stocks including British Electric, British Thomson-Houston, and others.

ENGINEERING

Table listing engineering stocks including British Thomson-Houston, British Electric, and others.

ENGINEERING

Table listing engineering stocks including British Thomson-Houston, British Electric, and others.

ENGINEERING

Table listing engineering stocks including British Thomson-Houston, British Electric, and others.

ENGINEERING (Contd)

Table listing engineering stocks including British Thomson-Houston, British Electric, and others.

FOOD, GROCERIES, ETC

Table listing food and grocery stocks including Asda, Borden, and others.

HOTELS AND CATERERS

Table listing hotel and catering stocks including Asda, Borden, and others.

INDUSTRIALS (Misc.)

Table listing miscellaneous industrial stocks including Asda, Borden, and others.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial stocks including Asda, Borden, and others.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial stocks including Asda, Borden, and others.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial stocks including Asda, Borden, and others.

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Table listing miscellaneous industrial stocks including Asda, Borden, and others.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial stocks including Asda, Borden, and others.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial stocks including Asda, Borden, and others.

INDUSTRIALS (Misc.) - Contd

Table listing miscellaneous industrial stocks including Asda, Borden, and others.

LEISURE

Table listing leisure stocks including Asda, Borden, and others.

Handwritten signature or mark at the bottom center of the page.

LONDON SHARE SERVICE

LEISURE - Contd. Table listing various leisure companies like British Airways, British Airways PLC, etc.

PAPER, PRINTING, ADVERTISING - Contd. Table listing companies like News International, News International PLC, etc.

TEXTILES - Contd. Table listing textile companies like British Textiles, British Textiles PLC, etc.

TRUSTS, FINANCE, LAND - Contd. Table listing trusts and financial institutions like British Trustee, etc.

OIL AND GAS - Contd. Table listing oil and gas companies like British Petroleum, etc.

MINES - Contd. Table listing mining companies like British Coal, etc.

MOTORS, AIRCRAFT TRADES Table listing motor and aircraft related companies.

PROPERTY Table listing real estate and property companies.

TOBACCO Table listing tobacco companies.

TRUSTS, FINANCE, LAND Table listing trusts and financial institutions.

OVERSEAS TRADERS Table listing overseas trading companies.

PLANTATIONS Table listing plantation companies.

THIRD MARKET Table listing third market trading.

Commercial Vehicles Table listing commercial vehicle companies.

Investment Trusts Table listing investment trusts.

Finance, Land, etc. Table listing finance and land related companies.

Finance, Land, etc. Table listing finance and land related companies.

Rubbers, Palm Oil Table listing rubber and palm oil companies.

THIRD MARKET Table listing third market trading.

NEWSPAPERS, PUBLISHERS Table listing newspaper and publishing companies.

Garages and Distributors Table listing garage and distributor companies.

SHIPPING Table listing shipping companies.

OIL AND GAS Table listing oil and gas companies.

Central African Table listing Central African companies.

Central African Table listing Central African companies.

PAPER, PRINTING, ADVERTISING Table listing paper, printing, and advertising companies.

SHOES AND LEATHER Table listing shoes and leather companies.

SOUTH AFRICANS Table listing South African companies.

TEXTILES Table listing textile companies.

Central African Table listing Central African companies.

Central African Table listing Central African companies.

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TEXTILES Table listing textile companies.

OIL AND GAS Table listing oil and gas companies.

Central African Table listing Central African companies.

Central African Table listing Central African companies.

REGIONAL & IRISH STOCKS Table listing regional and Irish stocks.

TRADITIONAL OPTIONS Table listing traditional options.

INDUSTRIALS Table listing industrial companies.

PROPERTY Table listing property companies.

MINES Table listing mining companies.

A selection of Options traded is given on the London Stock Exchange Report Page.

This service is available to every Company client in the UK. Exchanges throughout the United Kingdom for a fee of £240 per annum for each company.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar's fortunes look better in the short term

By Colin Millham

THE DOLLAR finished last week on a very firm note, and is likely to start in the same vein today, as attention moves towards the US Treasury's auction of \$11bn three-year notes tomorrow and the same amount of 10-year paper on Wednesday.

plus in July is likely to be \$5.5bn, compared with \$9.5bn in June. Morgan Grenfell forecasts a surplus of \$6.5bn. This will not have any direct bearing on next week's US trade figures for June, but may help show the general trend in the trade flow.

DM1.60 by June next year. Guidance on the level of world inflation will be provided today by UK producer prices for July, and on Friday by US producer prices for the same month.

These will be watched for any implications of rising inflationary pressure, but in general the figures are expected to be encouraging. According to a survey by MMS International output prices are expected to show an unchanged rise of 0.3 p.c. and seasonally adjusted input prices are likely to rise 0.6 p.c. in July, compared with 1.8 p.c. in June.

are likely to have slowed, because of weaker oil and metal values. Commodity prices in dollar terms fell 9 p.c. in July, but this was partly offset by a decline in the value of sterling against the dollar. In sterling terms the net fall in prices was around 5.5 p.c.

method of estimation of fuel costs. US producer prices are expected to show a rise by 0.5 p.c. in July, compared with 0.4 p.c. in June, to give a year on year increase of a fairly modest 2.5 p.c.

£ IN NEW YORK

Table with columns: Aug 5, Close, Previous Close. Rows: 1 month, 3 months, 12 months.

STERLING INDEX

Table with columns: Aug 5, Previous. Rows: 8.30 am, 10 am, 11 am, Noon, 1.00 pm, 2.00 pm, 3.00 pm, 4.00 pm.

CURRENCY RATES

Table with columns: Aug 5, Bank, Market, Morgan's Change. Rows: Sterling, US Dollar, Canadian Dollar, etc.

CURRENCY MOVEMENTS

Table with columns: Aug 5, Bank, Morgan's Change. Rows: Sterling, US Dollar, Canadian Dollar, etc.

OTHER CURRENCIES

Table with columns: Aug 5, S, DM, Yen, F Fr, S Fr, M Fl, Lira, C S, B Fr.

FORWARD RATES AGAINST STERLING

Table with columns: US Dollar, French Fr, Swiss Fr, Yen.

MONEY MARKETS

A tale of two cities

LONDON INTEREST rates were little changed last week, but edged up nervously on Friday as sterling weakened.

published only the Thursday of next week. He added that rumours are already beginning to circulate in the City of some fairly

of around 89.5bn. If London rates are set to move higher, it at least appears that the rise in Frankfurt rates may have run its course.

The central bank also provided money for the banking system through currency swaps on Friday, in an apparent move to prevent call money rising to the Lombard emergency financing rate of 5 p.c.

Dealers regarded this as a sign that the Bundesbank is content with the present level of interest rates, although another bout of D-Mark weakness may lead to a change of heart.

FT LONDON INTERBANK FIXING

Table with columns: 6 month US Dollars, 6 month US Dollars.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: Aug 5, July 29, Aug 5, July 29.

WEEKLY CHANGE IN WORLD INTEREST RATES

Table with columns: Aug 5, Change, Aug 5, Change.

MONEY RATES

Table with columns: New York, Treasury Bills and Bonds, London Money Rates.

BASE LENDING RATES

Table with columns: City Merchants Bank, City of London, etc.

FT-ACTUARIES WORLD INDICES

Table with columns: NATIONAL AND REGIONAL MARKETS, DOLLAR INDEX.

FIXED INTEREST STOCKS

Table with columns: 100p, 100p, 100p, 100p.

RIGHTS OFFERS

Table with columns: 340, 340, 340, 340.

LONDON RECENT ISSUES

Table with columns: Issue, Price, Yield, etc.

FIXED INTEREST STOCKS

Table with columns: Issue, Price, Yield, etc.

RIGHTS OFFERS

Table with columns: Issue, Price, Yield, etc.

EUROPEAN OPTIONS EXCHANGE

Table with columns: Series, Bid, Ask, etc.

BASE LENDING RATES

Table with columns: Bank Name, Rate, etc.

FT-ACTUARIES WORLD INDICES

Table with columns: NATIONAL AND REGIONAL MARKETS, DOLLAR INDEX.

Table with columns: NATIONAL AND REGIONAL MARKETS, DOLLAR INDEX.

ملک نامہ لاہور

WORLD STOCK MARKETS

Table of stock market data for various countries including Austria, France, Italy, and Sweden. Columns include country, stock name, price, and change.

Table of stock market data for Canada, listing various Canadian stocks and their performance metrics.

Table of stock market data for the United Kingdom, listing major UK stocks and their prices.

Table of stock market data for Japan, listing Japanese stocks and their market values.

Table of stock market data for the Netherlands, listing various Dutch stocks and their prices.

Table of stock market data for the United States, listing active US stocks and their performance.

Table of stock market data for Australia, listing Australian stocks and their market data.

Table of stock market data for South Africa, listing South African stocks and their prices.

CANADA

Table of Canadian stock market data, including Toronto and Montreal market indices and individual stock prices.

OVER-THE-COUNTER

Table of over-the-counter stock market data, listing various OTC stocks and their prices.

Table of stock market data for the United States, listing major US stocks and their performance.

OVER-THE-COUNTER

Table of over-the-counter stock market data, listing various OTC stocks and their prices.

INDICES

Table of financial indices, including Dow Jones, S&P 500, and other market indicators.

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Text advertising the 'Travelling by air on business' service, listing various airlines and flight routes.

FINANCIAL TIMES

Closing prices August 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div. Yld.	% Chg	Close	Open	12 Month High	Low	Stock	Div. Yld.	% Chg	Close	Open	12 Month High	Low	Stock	Div. Yld.	% Chg	Close	Open	12 Month High	Low	Stock	Div. Yld.	% Chg	Close	Open	12 Month High	Low	Stock	Div. Yld.	% Chg	Close	Open
12 1/2	11 1/2	AAR	1.2	-1.5	11 3/4	11 1/2	12 1/2	11 1/2	ACORN	1.2	-1.5	11 3/4	11 1/2	12 1/2	11 1/2	ADCO	1.2	-1.5	11 3/4	11 1/2	12 1/2	11 1/2	ADCO	1.2	-1.5	11 3/4	11 1/2	ADCO	1.2	-1.5	11 3/4	11 1/2		

Continued on Page 31

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ملفاتنا الخاصة

NYSE COMPOSITE PRICES

AMEX COMPOSITE PRICES

Closing prices August 5

Table of NYSE Composite Prices listing various stocks with columns for stock name, price, and change.

Table of AMEX Composite Prices listing various stocks with columns for stock name, price, and change.

OVER-THE-COUNTER

Nasdaq national market, Closing prices August 4

Table of Over-the-Counter prices listing various stocks with columns for stock name, price, and change.

Advertisement for Financial Times subscriptions, including contact information for Wilt Brüssel.

Advertisement for Financial Times delivery in Belgium, listing postal districts and contact information.

## The Business Column

### In search of the global consumer

**F**ROM financial services to toothpaste, "globalisation" has become the business religion of the late 1980s. But when vastly different industries rush to embrace a one-word credo, some scepticism is in order.

The globalisation church has two main pillars. One is the belief that, as industrialised economies grow more interdependent, their markets are becoming more alike. The other is the quest for higher volumes, dictated by shorter product cycles and rising development and marketing costs, and for protection against currency instability. The logical way forward, it is argued, is to deploy products, services and skills widely across world markets.

A few companies, such as IBM, Coca Cola, Mars, Hertz, American Express and Sony have established uniform brands which command instant recognition worldwide and are among the leaders in every major market. But most did so decades ago. It is not obvious that things have got easier for newcomers.

Financial markets may be becoming global, but efforts to build global securities firms equally strong in New York, Tokyo and London have yet to pay off. Some newspapers, including the FT, are published internationally. But their editorial flavour is still too home-brewed and their foreign market share too modest to call them truly global.

Many companies find the closer they get to the "global" market, the more it divides into many different sub-markets. That can unhinge strategies which seek scale economies through standardisation. Ford's "world car" project in the 1970s ended up producing US and European versions with few shared components. True believers argue that consumer tastes worldwide are converging due to improved communications and international mass-media marketing. They contend that global brands will gradually squeeze out marginal competitors. But because investments and risks involved are huge, the approach may be open to relatively few, large companies and brands in each sector. Increased sameness looks like the outcome.

### The importance of novelty and choice

The approach may work for staple products like soap powder. But for discretionary spending, novelty and choice may be more important to the consumer. International expansion by small Belgian chocolate makers and the rise in the US of "specialty retailers" suggest that the fastest growth may come from offering something different. Some US chains may owe their recent decline to loss of novelty value once they went nationwide.

Some globalisation apostles prefer to focus on selected market segments rather than products, arguing that the tastes and lifestyles of groups of prosperous professionals in the world's large cities are remarkably similar. But the "global yuppie" may prove a fickle customer. As the late Fred Hirsch argued, the more affluent the consumer the greater his demand for "positional goods", distinguished by their rarity value. If the stock of such goods is finite — Van Gogh paintings, for instance — demand can never be fully met. But if they merely seem exclusive, they can often be vulgarised for a wider market. Will the Filofax enjoy quite as much cachet now it is standard issue for Arthur Scargill's miners?

Another version of that dilemma faces many Japanese companies, as they try to diversify into higher value-added products in response to the strong yen. Not only is there limited room at the top; but insofar as Japan's strengths lie in turning what were once luxuries into commodity products, its successes are likely increasingly to invite competition from low-cost imitators.

The Japanese may find their own typically ingenious response to that challenge. Others should perhaps ask themselves whether "globalisation" is so alluring because it really meets the needs of consumers — or because it appears a ready-made solution to the problems of producers.

Guy de Jonquières

## THE MONDAY INTERVIEW

# Not toeing the party line

Stefan Wagstyl meets Akio Morita, the chairman of Sony

**J**apanese are not fools. We have four years until 1992. Japanese managers know what they should do during those four years. Japanese industry will move technology into Europe."

So says Mr Akio Morita, chairman of Sony, the Japanese consumer electronics group. If any Japanese has reason to understand Europe, it is Mr Morita. He first visited it 35 years ago; he built his first European factory, in Wales, 15 years ago. He started thinking about pan-European markets well before the launch of the European campaign for market integration by 1992.

Mr Morita believes that Japanese companies will become good Europeans because they must. It is not a matter of charity but of self-interest. Companies without a strong local manufacturing base will be left in the cold. "Now Europe is becoming one big market, if we become European manufacturers that will be good for us," says Mr Morita.

As a result, Mr Morita gets angry at suggestions that Japanese factories are merely screwdriver assembly plants, designed to disguise increases in Japanese exports. He is particularly annoyed when such claims come from Philips, the Dutch group which is Sony's partner in some ventures but its rival in many others. He holds up a copy of letter to the FT from a Philips executive which accuses Mr Morita of encouraging the establishment of screwdriver plants in Europe.

"Why are they saying this? What do they mean?" he asks. Once something of a maverick among Japanese businessmen, time and success have turned the white-haired Mr Morita into a corporate statesman, a vice-chairman of the Keidanren, the Japan Federation of Economic Organisations. But at the age of 67, Mr Morita has lost none of the combative, pioneering spirit which has made Sony the most famous Japanese consumer electronics company in the world — better-known even than its larger competitor Matsushita Electric.

Hitting back at Philips, Mr Morita says European companies have only harmed themselves by building barriers around the European market. Philips successfully urged the European Community to double tariffs on imported compact disk players, he says. And now, he adds, the Dutch group is refusing to cooperate on uniform standards on high-definition television.

Creating protected markets in Europe, European companies have become unable to compete elsewhere, says Mr Morita. They have to change their policies or they will be in

## Role of regulators

**S**ELF-REGULATORY BODIES, which exemplify the current fashion for overseeing and controlling a wide range of financial and other activities that materially affect the public, should take careful note of some trenchant observations made by the Court of Appeal as to the circumstances and manner in which the courts will intervene in policing the proper procedures of such bodies.

If the regulating body acts unfairly or with a lack of thoroughness in its investigation the court may feel obliged to stop the process and order the body to act properly.

In *R v Panel on Takeovers and Mergers, ex p Guinness plc* three appeal court judges to varying degrees were critical of the Panel's handling of an inquiry into one aspect of the takeover bid in 1985 by Guinness of the shares in Distillers, that aspect being whether a Swiss company had acted in concert with Guinness in circumstances that breached the Panel's takeover code. The application for judicial review of the Panel's decisions was limited to a challenge to its refusal to grant Guinness an adjournment when requested to do so on two occasions in August and September, 1987.

Essentially, the earlier application was for a lengthy adjournment, until after all the proceedings, both civil and criminal, had been concluded and the report of the Department of Trade & Industry inspectors had been published.

The second application was for a short adjournment based on the late arrival and disclosure of a statement from London solicitors acting for a Swiss bank. This said that a Swiss company had been involved in a concert party operation with Guinness.

trouble. "Companies which do not work hard disappear."

Sony itself is working hard at becoming European — following a policy called "global localisation". Mr Morita says he coined the phrase to describe the process of setting up operations around the world headed by local managers.

While US companies in Europe were localising 30 years ago, the idea is new to Japanese companies and, according to Mr Morita, Sony is ahead of the rest.

To prove his point, he pulls out photographs of a visit to Bridgend in Wales where Sony set up its first European plant in the early 1970s. The company invited 6,000 guests, including the staff and their families, to an anniversary party where Welshmen organised a yakitori bar — or Japanese barbecue.

Mr Morita is proud of the fact that engineers from Bridgend travelled to Tokyo recently for a company-wide technology exhibition. The British team demonstrated special software they had devised for control-

### PERSONAL FILE

1921 Born Nagoya  
1944 Graduated in physics, Osaka Imperial University  
1948 With a partner founded Tokyo Tsushin Kogyo  
1953 First overseas trip  
1958 Company name changed to Sony  
1971-76 President of Sony  
1976-88 Chairman and chief executive officer, Sony

ling factory production. Mr Morita says this showed real engineering skill — teaching production technology to the Japanese, who regard themselves as world experts in the field.

However, even at Sony foreigners can only go so far. The company has three non-Japanese special directors — but they cannot join the board because, says Mr Morita, they have to be able to speak Japanese to answer questions at shareholders' meetings. "But we don't keep things secret from them," says Mr Morita. Maybe, but it sounds like an excuse.

The test of global localisation will be in Europe. It is not easy for foreign companies to operate even in the US, where there are no internal barriers. But in Europe, language and frontiers, not to mention regulations divide up the market. In television for example, Sony has to contend with two broadcasting standards, Pal and Secam.

The group employs 3,600 staff in eight European factories making televisions, video recorders, and audio equip-

ment. Mr Morita says it is important to capitalise on the strengths of different European countries. So the Bridgend factory has developed skills in production engineering; but the company chose Stuttgart in West Germany for the headquarters of its European television operations, including a design centre.

It was easier to recruit design engineers in Germany than in South Wales. But Mr Morita says this is not a slight on Bridgend. Indeed, it would be harder to hire production workers in Stuttgart — Sony would have to take on foreign *Gastarbeiter*, not West Germans. "There would be social problems and quality problems," says Morita, in a rare flash of prejudice.

Mr Morita bemoans what he sees as a loss of energy by Europeans. He has just visited an exhibition in Japan marking the visit of Philip Franz von Siebold, a Dutchman who came by ship in the early 1800s when Japan was a closed country to foreigners. Von Siebold stayed for several years to teach medicine.

"I admire the European pioneering spirit. Europeans used to come to the Far East in wooden ships around Cape Town. It took a long time. Now you can come by plane in 12 hours but they act so complacent. Why do European manufacturers pay so little attention to South East Asia, he asks. "South East Asia is becoming a big market. If you look back to the old times, the British, the Dutch and the French were very strong in that area."

Does Mr Morita worry that one day, Japan too might lose its competitiveness? "You mean if we become rich will we lose our hunger? That is a relative problem. Now South Korea and Taiwan are more hungry than we are. They work very hard," says Mr Morita.

However, the Japanese have a strong incentive to keep working hard and not relaxing. Mr Morita pulls out a piece of paper from his wallet and reads out some numbers — Japan has 2,542 people for every square mile of usable land; against 1,300 for the UK, and 148 for the US. Mr Morita carries a fact-sheet around with him because "People are always asking me how congested we are."

Mr Morita has no doubt about what will keep Japan ahead of other Asian countries — technology. It is a subject he likes to talk about, revealing that the zest for innovation on which the company was founded has not faded.

Having helped to develop transistor radios, colour televisions, home hi-fi equipment, video recorders and compact disks, Mr Morita now has high hopes for high-definition televi-



Ashley Ashwood

'Now Europe is becoming one big market... and that will be good for us'

sion, a computer-controlled television format which will probably be mass-marketed in the 1990s. "High-definition television. That will be the next stage," he says.

Mr Morita claims high-definition video cameras are about to take the film industry by storm. In the same way as regular video has already taken over film-making in television. Film production with high-definition video will be 20-30 per cent cheaper than with film and the result will be seven or eight times sharper.

Mr Morita, it turns out, is not an inventor but a salesman of technology. His dreams are about selling a million Walkman portable compact disk players, not about making them. His aim, he says, is to bring consumer products to people.

One of the hardest tasks is not developing an innovation but in demonstrating to people why they might want it. Last year, to convince Japanese film-makers of the merits of high-definition video, Mr Morita rented a Tokyo cinema and showed a film. Later he told the audience that the entire movie had been made by video

techniques. They could hardly believe it, he says.

"It will take one independent director to make a film using high-definition television and then others will follow," says Mr Morita.

Protests from labour unions are another obstacle for the advocates of technology. Mr Morita remembers going to London on his first visit in 1953. During a trip to the BBC, he noticed a recording was being made by means of a pre-war vintage needle moving across a heavy master disc. When he asked why the world's premier broadcasting corporation did not use tape recorders he was told the unions would not allow them.

Sony has, of course, made a great deal of money from Mr Morita's emphasis on persuading customers of the merits of Sony innovations — even if the customers at first seemed a bit slow to swallow the argument. When the company first tried selling tape recorders in Japan just after the war, nobody wanted one. It took countless appeals by Mr Morita and others to create a market. However, the group has also suffered for Mr Morita's stubbornness. Sony was first to launch home video recorders — but stuck to its Betamax system long after it was clear that the competing VHS system, developed by JVC, had

captured the market. Sony repeatedly argued that it was just a matter of time before consumers realised its technology was better. Only this year did Sony admit defeat and start marketing VHS machines.

The company has recovered from this failure. The success in the 1980s of its Walkman range of portable audio machines — tape recorders, radios, and recently compact disk players — proves that the "technology first" approach can still bring great rewards. The product-invented a market which had not existed. Mr Morita has said on occasion that no amount of market research could have discovered a need for the Walkman.

As the interview ends, Mr Morita sighs and says he has to go to yet another party — this time at Mitsui Bank, in honour of its new directors. This is the season for company parties in Japan. The financial year ends in March; results are reported in May; and annual meetings are held in June, so July is a month for parties.

But Sony, says Mr Morita, has never had a party. "It's not good business for us. It's good business for the hotels."

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If you would like to know more, call Francis Tomlinson on 01-621 1466 or write to him at the address below.

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